

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

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Docket No. R97-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS O'HARA  
TO INTERROGATORIES OF  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL  
(MASA/USPS-T30-1 THROUGH 3)**

The United States Postal Service hereby files the response of witness O'Hara to the following interrogatory of MASA International, filed August 4, 1997: MASA/USPS-T30-1 through 3.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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August 18, 1997

**RESPONSE OF POSTAL WITNESS O'HARA TO THE INTERROGATORIES OF THE  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL**

**MASA/USPS-T30-1.** Identify the implicit after rates markups, and cost coverages, for each of the categories of Standard mail in the table below:

REGULAR SUBCLASS	Mark-Up	Implicit Cost Coverage
Nonletters:		
Basic Presort		
Basic Automation		
3/5-Digit Presort		
3/5-Digit Automation		
Letters:		
Basic Presort		
Basic Automation		
3/5-Digit Presort		
3-Digit Automation		
5-Digit Automation		
ENHANCED CARRIER ROUTE SUBCLASS		
Nonletters:		
Basic		
High Density		
Saturation		
Letters:		
Basic		
Auto Basic		
High Density		
Saturation		

**RESPONSE OF POSTAL WITNESS O'HARA TO THE INTERROGATORIES OF THE  
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**MASA/USPS-T30-1. (continued)**

**RESPONSE:**

Implicit cost coverages and markups for these rate categories were not calculated in the preparation of this filing. Such calculations are not needed for rate design purposes, nor can they be done accurately since total costs are quantified on a subclass level, rather than a rate category level, which is the level requested in this interrogatory. For example, although witness Daniel presents costs corresponding to rate category (Exhibit USPS-29C, page 3), some of the cost elements are equal for each rate category since finer detail of these costs is not available. For instance, transportation costs are assumed to be the same for every rate category in the Regular subclass; however, to the extent dropship levels (or any other transportation cost driver) differ for these rate categories, actual transportation costs would vary. The calculation of implicit markups using these data, therefore, would not only be unnecessary from a rate design perspective, but would also be inaccurate.

**RESPONSE OF POSTAL WITNESS O'HARA TO THE INTERROGATORIES OF THE  
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**MASA/USPS-T30-2.**

- a. Please confirm that in MC95-1, the PRC estimated TY after rates volumes for Standard (A) Regular Automation letters as reflected on the following table (PRC Opinion and Recommended Decision, MC95-1, Appendix I, p. 2).
- b. Please complete the table, noting your source for the data.

<i>Standard A Automation Categories (Letters)</i>	<i>MC95-1 PRC TY Volume Estimates (After-Rates)</i>	<i>Actual Volumes Year Ended June 30, 1997<sup>1</sup></i>	<i>R97-1 TY Volumes (Before Rates)</i>	<i>R97-1 TY Volumes (After Rates)</i>
Basic	4,430.828			
3-Digit	3,585.542			
5-Digit	6,276.280			

Table cont'd:

<i>1997PFY (Before- Rates)</i>	<i>1997PFY (After- Rates)</i>	<i>1998PFY (Before- Rates)</i>	<i>1998PFY (After- Rates)</i>	<i>1999PFY (Before- Rates)</i>	<i>1999PFY (After- Rates)</i>

<sup>1</sup> If you are unable to give actual volumes for this period, please give actual volumes for the longest period for which you have the data, and supplement the response with the requested period data when it becomes available.

**RESPONSE OF POSTAL WITNESS O'HARA TO THE INTERROGATORIES OF THE  
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**MASA/USPS-T30-2. (continued)**

**RESPONSE:**

- a. Confirmed. This was the volume presented in the Opinion. The 5-digit volume, however, included 2.2 billion pieces presumed to migrate from carrier route. This migration was unlikely, though, given that the rate recommended for 5-digit automation was higher than the recommended ECR basic letter rate. Therefore, the volume presented below in response to part (b) does not include this migrating volume.

b.

<i>Standard A Automation Categories (Letters)</i>	<i>MC95-1 PRC TY Volume Estimates (After-Rates)</i>	<i>Actual Volumes FY97, Q1,2 USPS-T-36 WP1, p.1</i>	<i>R97-1 TY Volumes (Before Rates) USPS-T-36 WP1, p.4</i>	<i>R97-1 TY Volumes (After Rates) USPS-T-36 WP1, p. 20</i>
Basic	4,430.828	1,301.620	3,157.221	3,136.543
3-Digit	3,585.542	4,079.119	9,750.408	9,535.365
5-Digit	4,055.429	1,252.148	3,016.552	6,358.646

Table cont'd.

<i>1997PFY (Before-Rates) Exh. USPS-6A Table 2</i>	<i>1997PFY (After-Rates) N/A</i>	<i>1998PFY (Before-Rates) Exh. USPS-6A Table 2</i>	<i>1998PFY (After-Rates) Exh. USPS-6A Table 4</i>	<i>1999PFY (Before-Rates) Exh. USPS-6A Table 2</i>	<i>1999PFY (After-Rates) Exh USPS-6A Table 4</i>
2,858.043	N/A	3,135.448	3,115.322	3,305.220	3,282.931
8,873.928	N/A	9,681.520	9,469.319	10,236.382	10,032.616
2,737.215	N/A	2,995.466	6,285.356	3,162.987	6,689.801

**RESPONSE OF POSTAL WITNESS O'HARA TO THE INTERROGATORIES OF THE  
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**MASA/USPS-T30-3.**

- a. Identify the factors to which you attribute any volume shifts that have occurred between (a) the 5-Digit and 3-Digit categories and (b) the 3-Digit and Basic categories for Standard automation letter mail.
- b. Identify the factors to which you attribute any volume shifts that are projected to occur between (a) the 5-Digit and 3-Digit categories and (b) the 3-Digit and Basic categories for Standard automation letter mail.
- c. Identify and discuss the policy, operational or other reasons (if any) for encouraging a shift of mail volume out of 5-Digit toward less finely pre-sorted mail in the automation letter class?

**RESPONSE:**

- a. Implementation of the 150-piece minimum for the presort tiers has resulted in volume shifts.
- b. I do not project any volume shifts beyond what is projected in the volume forecast. See witness Tolley's testimony (USPS-T-6) for details regarding the volume forecast.
- c. I know of no reason to encourage further volume shifts out of 5-digit to less-finely presorted tiers.

DECLARATION

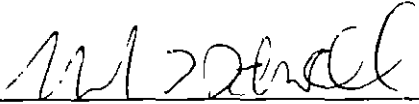
I, Donald J. O'Hara, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

8-18-97  
Date

Donald J. O'Hara  
Donald J. O'Hara

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
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Michael T. Tidwell

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August 18, 1997